

House File 575 - Introduced

HOUSE FILE 575

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 160)

A BILL FOR

1 An Act relating to the technical administration of state
2 financial and regulatory matters, including administration
3 of income taxes, sales and use taxes, currency exchange
4 licenses, and the wireless surcharge for enhanced 911
5 emergency telephone systems, and including effective date
6 and retroactive applicability provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

INCOME AND FRANCHISE TAXES

Section 1. Section 422.7, subsection 2, Code 2013, is amended to read as follows:

2. Add interest and dividends from foreign securities and from securities of state and other political subdivisions exempt from federal income tax under the Internal Revenue Code, except for those securities the interest and dividends from which are exempt from taxation by the state of Iowa as otherwise provided by law, including:

a. Vision Iowa program bonds pursuant to section 12.71, subsection 8.

b. School infrastructure program bonds pursuant to section 12.81, subsection 8.

c. Iowa jobs program revenue bonds pursuant to section 12.87, subsection 8.

d. Iowa utility board and Iowa consumer advocate building project bonds pursuant to section 12.91, subsection 9.

e. Iowa water pollution control works and drinking facilities financing program bonds pursuant to section 16.131, subsection 5.

f. Iowa prison infrastructure revenue bonds pursuant to section 12.80, subsection 3, and section 16.177, subsection 8.

g. Quad cities interstate metropolitan authority bonds pursuant to section 28A.24.

h. Iowa finance authority E911 program bonds pursuant to section 34A.20, subsection 6.

i. Alcoholic beverage control bonds pursuant to section 123.159, Code 2011.

j. Soil and water conservation subdistrict bonds pursuant to section 161A.22.

k. Agricultural development authority beginning farmer loan program bonds pursuant to section 175.17, subsection 10.

l. Community college residence hall and dormitory bonds pursuant to section 260C.61.

- 1 m. Community college bond program bonds pursuant to section
2 260C.71, subsection 6.
- 3 n. Higher education loan authority bonds pursuant to section
4 261A.27.
- 5 o. State board of regents bonds pursuant to sections 262.41,
6 262.51, 262.60, 262A.8, and 263A.6.
- 7 p. Interstate bridges bonds pursuant to section 313A.36.
- 8 q. Aviation authority bonds pursuant to section 330A.16.
- 9 r. County health center bonds pursuant to section 331.441,
10 subsection 2, paragraph "c", subparagraph (7).
- 11 s. Rural water district bonds pursuant to section 357A.15.
- 12 t. Urban renewal bonds pursuant to section 403.9, subsection
13 2.
- 14 u. Municipal housing project bonds pursuant to section
15 403A.12.
- 16 v. Comprehensive petroleum underground storage tank fund
17 bonds pursuant to section 455G.6, subsection 14.
- 18 w. Honey creek premier destination park bonds pursuant to
19 section 463C.12, subsection 8.
- 20 Sec. 2. Section 422.7, subsections 19 and 48, Code 2013, are
21 amended by striking the subsections.
- 22 Sec. 3. Section 422.9, subsections 6 and 7, Code 2013, are
23 amended by striking the subsections.
- 24 Sec. 4. Section 422.20, subsection 3, paragraph a, Code
25 2013, is amended to read as follows:
- 26 a. Unless otherwise expressly permitted by section 8A.504,
27 section 8G.4, section 11.41, section 96.11, subsection 6,
28 section 421.17, subsections 22, 23, and 26, subsection 27,
29 paragraph "k", and subsection 31, section 252B.9, section
30 321.40, subsection 6, sections 321.120, 421.19, 421.28, 422.72,
31 and 452A.63, and this section, or another provision of law,
32 a tax return, return information, or investigative or audit
33 information shall not be divulged to any person or entity,
34 other than the taxpayer, the department, or internal revenue
35 service for use in a matter unrelated to tax administration.

1 Sec. 5. Section 422.35, subsection 2, Code 2013, is amended
2 to read as follows:

3 2. Add interest and dividends from foreign securities, from
4 securities of state and other political subdivisions, and from
5 regulated investment companies exempt from federal income tax
6 under the Internal Revenue Code, except for those securities
7 the interest and dividends from which are exempt from taxation
8 by the state of Iowa as otherwise provided by law, including
9 those set forth in section 422.7, subsection 2.

10 Sec. 6. Section 422.35, subsection 13, Code 2013, is amended
11 by striking the subsection.

12 Sec. 7. Section 422.61, subsection 3, paragraph b, Code
13 2013, is amended to read as follows:

14 b. Notwithstanding ~~sections 262.41 and 262.51~~ section
15 422.35, subsection 2, or any other provisions of law, income
16 from obligations of the state and its political subdivisions
17 and franchise taxes paid or accrued under this division
18 during the taxable year shall be added. Income from sales
19 of obligations of the state and its political subdivisions
20 and interest and dividend income from these obligations are
21 exempt from the taxes imposed by this division only if the law
22 authorizing the obligations specifically exempts the income
23 from the sale and interest and dividend income from the state
24 franchise tax.

25 Sec. 8. Section 422.72, subsection 3, paragraph a, Code
26 2013, is amended to read as follows:

27 a. Unless otherwise expressly permitted by section 8A.504,
28 section 8G.4, section 11.41, section 96.11, subsection 6,
29 section 421.17, subsections 22, 23, and 26, subsection 27,
30 paragraph "k", and subsection 31, section 252B.9, section
31 321.40, subsection 6, sections 321.120, 421.19, 421.28, 422.20,
32 and 452A.63, ~~and this section~~, or another provision of law,
33 a tax return, return information, or investigative or audit
34 information shall not be divulged to any person or entity,
35 other than the taxpayer, the department, or internal revenue

1 service for use in a matter unrelated to tax administration.

2 Sec. 9. EFFECTIVE UPON ENACTMENT. The following provision
3 or provisions of this division of this Act, being deemed of
4 immediate importance, take effect upon enactment:

5 1. The section of this division of this Act amending section
6 422.9.

7 2. The section of this division of this Act amending section
8 422.20.

9 3. The section of this division of this Act amending section
10 422.72.

11 DIVISION II

12 SALES AND USE TAXES

13 Sec. 10. Section 423.1, subsection 39, paragraphs b and c,
14 Code 2013, are amended to read as follows:

15 b. The property is transferred to the user of the service
16 in connection with the performance of the service in a form
17 or quantity capable of a fixed or definite price value, ~~or~~
18 ~~the property is entirely consumed in connection with the~~
19 ~~performance of an auto body repair service purchased by the~~
20 ~~ultimate user.~~

21 c. The sale is evidenced by a separate charge for the
22 identifiable piece of property ~~unless the property is entirely~~
23 ~~consumed in connection with the performance of an auto body~~
24 ~~repair service purchased by the ultimate user.~~

25 Sec. 11. Section 423.2, subsection 11, paragraph b,
26 subparagraph (5), Code 2013, is amended to read as follows:

27 (5) Subject to the limitation on the calculation and
28 deposit of sales tax increment revenues in section 418.12,
29 beginning the first day of the quarter following adoption
30 of the resolution pursuant to section 418.4, subsection 3,
31 paragraph "d", transfer to the account created in the sales tax
32 increment fund for each governmental entity approved to use
33 sales tax increment revenues under chapter 418, that portion
34 of the increase in sales tax revenue, determined in section
35 418.11, subsection 2, paragraph "d", in the applicable area of

1 the governmental entity, that remains after the ~~transfer other~~
2 transfers required under ~~subparagraph (3) of~~ this paragraph
3 "b".

4 Sec. 12. Section 423.3, subsection 18, paragraph c, Code
5 2013, is amended to read as follows:

6 c. Rehabilitation facilities that provide accredited
7 rehabilitation services to persons with disabilities which are
8 accredited by the commission on accreditation of rehabilitation
9 facilities or the ~~accreditation council for services for~~
10 ~~persons with an intellectual disability and other persons with~~
11 ~~developmental disabilities~~ council on quality and leadership
12 and adult day care services approved for reimbursement by the
13 state department of human services.

14 Sec. 13. Section 423.3, subsection 44, Code 2013, is amended
15 by striking the subsection.

16 Sec. 14. Section 423.3, subsection 58, Code 2013, is amended
17 to read as follows:

18 58. The sales price from the sale of items purchased with
19 coupons, food stamps, electronic benefits transfer cards,
20 or other methods of payment authorized by the United States
21 department of agriculture, and issued under the federal Food
22 Stamp Act of 1977, 7 U.S.C. § 2011 et seq. or under the federal
23 supplemental nutritional assistance program established in 7
24 U.S.C. § 2013.

25 Sec. 15. Section 423.3, Code 2013, is amended by adding the
26 following new subsection:

27 NEW SUBSECTION. 99. a. The sales price from the sale of
28 chemicals, solvents, sorbents, reagents, or other tangible
29 personal property used in providing a vehicle repair service
30 subject to section 423.2, subsection 6, if all of the following
31 conditions are met:

32 (1) The chemicals, solvents, sorbents, reagents, or other
33 tangible personal property are directly and primarily used in
34 providing the vehicle repair service.

35 (2) The chemicals, solvents, sorbents, reagents, or other

1 tangible personal property are consumed or dissipated in
2 providing the vehicle repair service.

3 (3) The chemicals, solvents, sorbents, reagents, or other
4 tangible personal property will come into physical contact with
5 the vehicle upon which the vehicle repair service is performed.

6 b. The exemption under this subsection does not apply
7 to tangible personal property that can be used to provide
8 multiple vehicle repair services, including but not limited to
9 machinery, tools, and equipment.

10 DIVISION III

11 MISCELLANEOUS

12 Sec. 16. Section 34A.7B, subsection 11, Code 2013, is
13 amended to read as follows:

14 11. The audit, and appeal, collection, and enforcement
15 procedures and other pertinent provisions applicable to the
16 sales and use tax imposed under chapter 423 shall apply to
17 prepaid wireless E911 surcharges.

18 Sec. 17. Section 421.7, subsection 5, Code 2013, is amended
19 to read as follows:

20 5. As used in subsection 3 2, the term "*prime rate*" means
21 the prime rate charged by banks on short-term business loans,
22 as determined by the board of governors of the federal reserve
23 system and published in the federal reserve bulletin.

24 Sec. 18. Section 421.17, subsection 10, unnumbered
25 paragraph 1, Code 2013, is amended to read as follows:

26 To require any board of review at any time after its
27 adjournment to reconvene and to make such orders as the
28 director shall determine are just and necessary; to direct
29 and order any board of review to raise or lower the valuation
30 of the property, real or personal, in any township, city,
31 or taxing district, to order and direct any board of review
32 to raise or lower the valuation of any class or classes
33 of property in any township, city, or taxing district, and
34 generally to make any order or direction to any board of review
35 as to the valuation of any property, or any class of property,

1 in any township, city, county, or taxing district, which in
 2 the judgment of the director may seem just and necessary, to
 3 the end that all property shall be valued and assessed in the
 4 manner and according to the real intent of the law. For the
 5 purpose of this ~~paragraph~~ subsection the words "*taxing district*"
 6 include drainage districts and levee districts.

7 Sec. 19. Section 421.17, subsection 10, paragraph b, Code
 8 2013, is amended to read as follows:

9 b. The director may order made effective reassessments or
 10 revaluations in any taxing district for any taxing year or
 11 years and the director may in any year order uniform increases
 12 or decreases in valuation of all property or upon any class
 13 of property within any taxing district or any area within
 14 such taxing district, such orders to be effective in the year
 15 specified by the director. ~~For the purpose of this paragraph~~
 16 ~~the words "*taxing district*" include drainage districts and levee~~
 17 ~~districts.~~

18 Sec. 20. Section 421.17, subsection 27, paragraph e, Code
 19 2013, is amended to read as follows:

20 e. All state agencies and local government agencies shall
 21 be given access, at the discretion of the director, to the
 22 centralized computer data bank and, notwithstanding any other
 23 provision of law to the contrary, may deny, revoke, or suspend
 24 any license or deny any renewal authorized by the laws of
 25 this state to any person who has defaulted on an obligation
 26 owed to or collected by the state. The confidentiality
 27 provisions of sections 422.20 and 422.72 do not apply to tax
 28 information contained in the centralized computer data bank.
 29 State agencies and local government agencies shall endeavor to
 30 obtain from all applicants the applicant's social security or
 31 federal tax identification number, or, if the applicant has
 32 neither, the applicant's state driver's license number ~~from all~~
 33 ~~applicants.~~

34 Sec. 21. Section 432.12C, subsection 2, Code 2013, is
 35 amended to read as follows:

1 2. The taxes imposed under this ~~division~~ chapter shall
2 be reduced by investment tax credits authorized pursuant to
3 sections 15.333A and 15E.193B, subsection 6.

4 Sec. 22. Section 453A.45, subsection 5, paragraph b, Code
5 2013, is amended to read as follows:

6 **b.** The report shall be made on forms provided by the
7 director ~~or the~~. The director may require by rule that the
8 report be filed by electronic transmission.

9 Sec. 23. Section 453A.47, Code 2013, is amended to read as
10 follows:

11 **453A.47 Refunds, credits.**

12 Where tobacco products upon which the tax imposed by this
13 division has been reported and paid, are shipped or transported
14 by the distributor to consumers, to be consumed without the
15 state, or to retailers or subjobbers without the state, to
16 be sold by those retailers, or subjobbers without the state,
17 or are returned to the manufacturer by the distributor or
18 destroyed by the distributor, refund of such tax or credit
19 may be made to the distributor in accordance with regulations
20 prescribed by the director. Any overpayment of the tax imposed
21 under section 453A.43 may be made to the taxpayer in accordance
22 with regulations prescribed by the director. The director
23 shall cause any such refund of tax to be paid out of the general
24 ~~revenue fund of the state~~, and so much of said fund as may be
25 necessary is hereby appropriated for that purpose.

26 Sec. 24. Section 453A.47A, subsection 7, paragraph b, Code
27 2013, is amended to read as follows:

28 **b.** If any permit is granted during the month of October,
29 November, or December, the fee shall be three-fourths of the
30 above maximum schedule; if granted during the month of January,
31 February, or March, one-half of the maximum schedule; and if
32 granted during the month of April, May, or June, one-fourth of
33 the maximum schedule.

34 Sec. 25. Section 533C.302, subsection 2, Code 2013, is
35 amended to read as follows:

1 2. A nonrefundable application fee of one thousand dollars
 2 and the license fee must accompany an application for a license
 3 under this article. The license fee shall be the sum of ~~five~~
 4 two hundred fifty dollars plus an additional ~~one hundred fifty~~
 5 dollars for each location at which business is conducted, but
 6 not to exceed ~~two~~ one thousand dollars. Fees for locations
 7 added after the initial application shall be submitted with the
 8 quarterly reports pursuant to section 533C.503, subsection 2.
 9 The license fee must be refunded if the application is denied.
 10 A license under this article expires on the next ~~September 30~~
 11 ~~of an odd-ending year~~ December 31 after its issuance. The
 12 initial license fee is considered a ~~biennial~~ an annual fee and
 13 the superintendent shall prorate the license fee, refunding any
 14 amount due to a partial license period. However, no refund
 15 of a license fee shall be made when a license is suspended,
 16 revoked, or surrendered.

17 Sec. 26. Section 533C.304, subsections 1 and 3, Code 2013,
 18 are amended to read as follows:

19 1. A licensee under this article shall pay a ~~biennial~~ an
 20 annual renewal fee no later than ~~September~~ December 1 ~~of an~~
 21 ~~odd-ending year~~. The ~~biennial~~ annual renewal fee shall be
 22 the sum of ~~five~~ two hundred fifty dollars plus an additional
 23 ~~one hundred fifty~~ dollars for each location at which business
 24 is conducted, but shall not exceed ~~two~~ one thousand dollars.
 25 Fees for locations added after the initial application shall
 26 be submitted with the quarterly reports pursuant to section
 27 533C.503, subsection 2.

28 3. If a licensee does not file a renewal report and pay
 29 its renewal fee by ~~September~~ December 1 ~~of an odd-ending year~~,
 30 or any extension of time granted by the superintendent, the
 31 superintendent may assess a late fee of one hundred dollars per
 32 day.

33 Sec. 27. EFFECTIVE UPON ENACTMENT. The following provision
 34 or provisions of this division of this Act, being deemed of
 35 immediate importance, take effect upon enactment:

1 1. The section of this division of this Act amending section
2 34A.7B.

3 Sec. 28. RETROACTIVE APPLICABILITY. The following
4 provision or provisions of this Act apply retroactively to
5 January 1, 2013:

6 1. The section of this Act amending section 34A.7B.

7 EXPLANATION

8 This bill relates to the technical administration of state
9 financial and regulatory matters.

10 Division I relates to income and franchise taxes.

11 Under current law, the interest and dividends of specified
12 obligations of Iowa and its political subdivisions are exempted
13 from the individual and corporate income tax. However,
14 most of these exemptions are not specifically addressed in
15 Code sections 422.7, 422.35, or 422.61, which concern the
16 computation of net income for purposes of the individual and
17 corporate income tax, and the franchise tax, respectively. The
18 division amends these Code sections to add a nonexhaustive list
19 of the securities the interest and dividends from which are
20 currently exempt from the individual and corporate income tax
21 under Iowa law.

22 The division strikes Code section 422.9, subsections 6 and
23 7, which are provisions relating to the treatment of a federal
24 rate reduction tax credit which only affected the 2001 and 2002
25 tax years. This section of the division takes effect upon
26 enactment.

27 The division amends Code section 422.20, relating to the
28 confidentiality of individual income tax return information,
29 and Code section 422.72, relating to tax administration,
30 generally, by adding a reference to the auditor of state's
31 power to access certain confidential information in fulfillment
32 of the auditor's duties, and referencing any other provision of
33 law that permits certain disclosures. These sections of the
34 division take effect upon enactment.

35 Division II relates to sales and use taxes.

1 The division strikes language relating to auto body repair
2 services from the definition of "property purchased for resale
3 in connection with the performance of a service" that was
4 added during the 2012 legislative session. Under current
5 law, property purchased for resale in connection with the
6 performance of a service is exempt from the sales and use
7 tax. Property falls within the applicable definition, and
8 therefore meets the requirements of this exemption, if it is
9 entirely consumed in connection with the performance of an
10 auto body repair service purchased by the ultimate user, and
11 if both parties intend that a sale of the property will occur.
12 The division strikes this language from the definition and
13 instead creates a separate sales and use tax exemption for the
14 sales price of chemicals, solvents, sorbents, reagents, or
15 other tangible personal property, used in providing a taxable
16 vehicle repair service, so long as the property is directly and
17 primarily used, and consumed or dissipated, in providing the
18 vehicle repair service, and comes into physical contact with
19 the vehicle upon which the vehicle repair service is performed.
20 The exemption does not apply to tangible personal property
21 that can be used to provide multiple vehicle repair services,
22 including but not limited to machinery, tools, and equipment.

23 The division amends Code section 423.2, subsection 11,
24 paragraph "b", to strike an incorrect internal reference in
25 the prescribed order in which sales tax revenues are to be
26 transferred to various funds.

27 The division amends Code section 423.3 to change a reference
28 to the accreditation council for services for persons with an
29 intellectual disability and other persons with developmental
30 disabilities to the council on quality and leadership to
31 reflect the council's current name.

32 The division strikes a sales and use tax exemption for wine
33 shipped from outside Iowa. The exemption was stricken from
34 Code section 123.187 in 2010.

35 The division amends the sales and use tax exemption for items

1 purchased with food stamps to reflect the current name of the
2 program and the payment methods used to provide assistance.

3 Division III makes changes to miscellaneous tax and
4 financial and regulatory provisions.

5 The division amends Code section 34A.7B to apply the
6 collection, enforcement, and other pertinent provisions of
7 Code chapter 423 to the prepaid wireless E911 surcharge, in
8 addition to the audit and appeal provisions of Code chapter 423
9 currently applied to the prepaid wireless E911 surcharge. This
10 section of the division takes effect upon enactment and applies
11 retroactively to January 1, 2013.

12 The division amends Code section 421.17, relating to the
13 information obtained from applicants for licenses from state or
14 local agencies, to specify that the agencies shall endeavor to
15 obtain the applicant's social security number or federal tax
16 identification number or, if the applicant has neither, the
17 applicant's state driver's license number.

18 The division changes the currency exchange license obtained
19 under Code chapter 533C from a biennial license to an annual
20 license.

21 Finally, the division makes several nonsubstantive
22 grammatical, technical, and internal reference changes to Code
23 sections 421.7, 421.17(10), 432.12C, 453A.45, 453A.47, and
24 453A.47A.